

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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West Central Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2006 Election)**

Harry Light	President	2007
Bob Airhart	Vice President	2006
Deanna Harwood	Board Member	2007
Jeff Baker	Board Member	2007
Doug Wiles	Board Member	2008
Ray Clayton	Board Member	2006
Tony Wagers	Board Member	2008

**Board of Education  
(After September 2006 Election)**

Harry Light	President	2007
Doug Wiles	Vice President	2008
Deanna Harwood	Board Member	2007
Jeff Baker	Board Member	2007
Tony Wagers	Board Member	2008
Symantha Crawford	Board Member	2009
Marty Doud	Board Member	2009

**School Officials**

Dave Arnold	Superintendent	2007
Lisa Waddell	District Secretary/Treasurer and Business Manager	2007
Rick Engel	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3060  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
West Central Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Central Valley Community School District, Stuart, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Central Valley Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2008 on our consideration of West Central Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Central Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

February 20, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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West Central Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,522,760 in fiscal 2006 to \$8,175,245 in fiscal 2007, while General Fund expenditures increased from \$7,774,291 in fiscal 2006 to \$8,311,519 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$273,009 in fiscal 2006 to \$100,359 in fiscal 2007, representing a 63.2% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. Expenditures exceeded revenues ensuring the fund balance to decrease substantially.
- An increase in local option sales and service tax, along with an issuance of a \$3,030,000 revenue bond, allowed the Capital Projects fund balance to increase from a balance of \$517,013 to \$1,529,231 at year-end.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Central Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Central Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Central Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***West Central Valley Community School District Annual Financial Report***

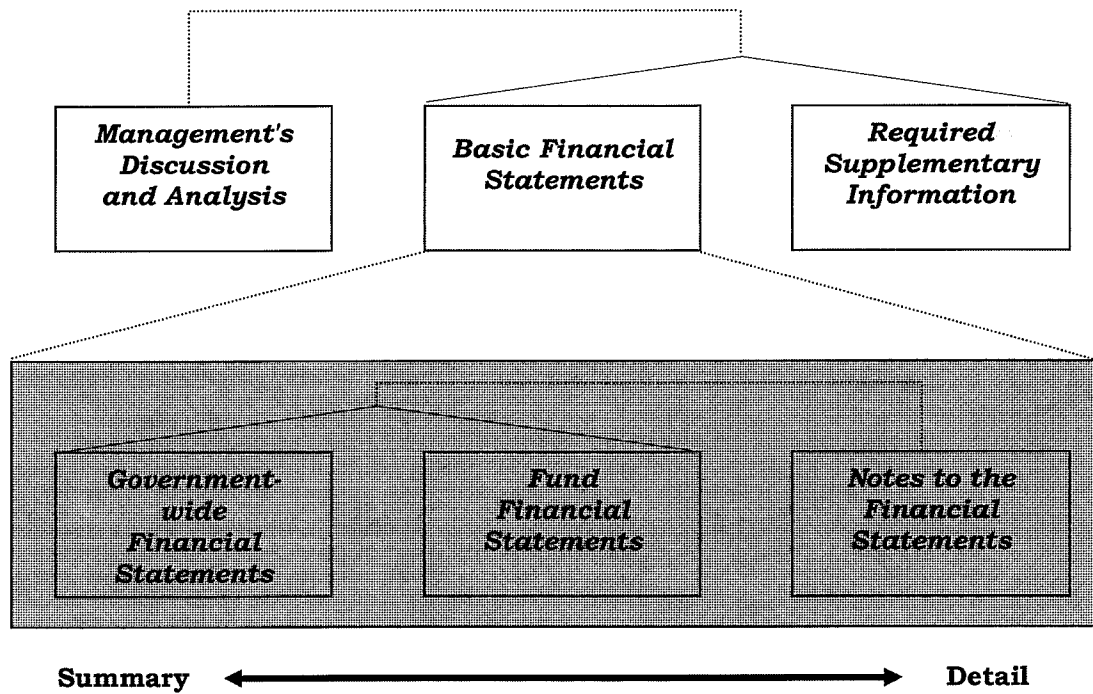


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition, the Greenhouse and Pop Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 6,933,949	5,202,144	8,942	79,697	6,942,891	5,281,841	31.45%
Capital assets	3,627,883	1,163,532	66,354	75,380	3,694,237	1,238,912	198.18%
Total assets	10,561,832	6,365,676	75,296	155,077	10,637,128	6,520,753	63.13%
Long-term obligations	3,096,233	128,004	0	0	3,096,233	128,004	2318.86%
Other liabilities	4,641,640	4,153,984	5,146	24,807	4,646,786	4,178,791	11.20%
Total liabilities	7,737,873	4,281,988	5,146	24,807	7,743,019	4,306,795	79.79%
Net assets:							
Invested in capital assets, net of related debt	1,574,634	1,163,532	66,354	75,380	1,640,988	1,238,912	32.45%
Restricted	1,301,574	723,936	0	0	1,301,574	723,936	79.79%
Unrestricted	(52,249)	196,220	3,796	54,890	(48,453)	251,110	-119.30%
Total net assets	\$ 2,823,959	2,083,688	70,150	130,270	2,894,109	2,213,958	30.72%

The District's combined net assets increased by 30.72% compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 79.79% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 119.30% compared to the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 459,827	236,920	171,784	162,374	631,611	399,294	58.18%
Operating grants and contributions and restricted interest	933,465	837,446	166,185	165,787	1,099,650	1,003,233	9.61%
Capital grants and contributions and restricted interest	0	24,680	0	0	0	24,680	-100.00%
General revenues:							
Property tax	3,290,853	2,965,183	0	0	3,290,853	2,965,183	10.98%
Local option sales and service tax	700,471	557,712	0	0	700,471	557,712	25.60%
Unrestricted state grants	3,919,982	3,692,923	0	0	3,919,982	3,692,923	6.15%
Other	145,829	194,378	63	92	145,892	194,470	-24.98%
Total revenues	9,450,427	8,509,242	338,032	328,253	9,788,459	8,837,495	10.76%
Program expenses:							
Governmental activities:							
Instructional	5,688,396	5,268,902	0	0	5,688,396	5,268,902	7.96%
Support services	2,543,533	2,579,246	887	3,877	2,544,420	2,583,123	-1.50%
Non-instructional programs	0	0	397,265	357,815	397,265	357,815	11.03%
Other expenses	478,227	925,017	0	0	478,227	925,017	-48.30%
Total expenses	8,710,156	8,773,165	398,152	361,692	9,108,308	9,134,857	-0.29%
Change in net assets	740,271	(263,923)	(60,120)	(33,439)	680,151	(297,362)	-328.73%
Net assets beginning of year	2,083,688	2,347,611	130,270	163,709	2,213,958	2,511,320	-11.84%
Net assets end of year	\$ 2,823,959	2,083,688	70,150	130,270	2,894,109	2,213,958	30.72%

In fiscal 2007, property tax, local option sales and service tax and unrestricted state grants account for 83.7% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$9.79 million of which \$9.45 million was for governmental activities and \$.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 10.76% in revenues and a 0.29% decrease in expenses. The decrease in expenses was related to the decrease in non-capitalized construction costs during the year.

### Governmental Activities

Revenues for governmental activities were \$9,450,427 and expenses were \$8,710,156.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 5,688,396	5,268,902	7.37%	4,602,347	4,480,913	2.64%
Support services	2,543,533	2,579,246	-1.40%	2,542,488	2,578,582	-1.42%
Other expenses	478,227	925,017	-93.43%	172,029	614,624	-257.28%
Totals	<u>\$ 8,710,156</u>	<u>8,773,165</u>	<u>-0.72%</u>	<u>7,316,864</u>	<u>7,674,119</u>	<u>-4.88%</u>

- The cost financed by users of the District's programs was \$459,827.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$933,465.
- The net cost of governmental activities was financed with \$3,290,853 in property tax, \$700,471 in local option sales and service tax, \$3,919,982 in unrestricted state grants, and \$35,780 in interest income.

### Business-Type Activities

Revenues of the District's business-type activities were \$338,032 and expenses were \$398,152. The District's business-type activities include the School Nutrition, Greenhouse and Pop Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the West Central Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,328,889, compared to last year's ending fund balances of \$1,020,300. However, the primary reason for the increase was due to the issuance of a \$3,030,000 revenue bond in the Capital Projects Fund.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. The increases in expenditures were too much for the District to offset, despite the increase in total revenues. Increases in revenues were due to the increases in local tax and state revenues received during the year. Expenditures increased in the instruction, support services and other expenditures functions. Part of this is due to the increase in salaries and benefits paid out to employees. Another is the normal increases in prices of utilities, gas and other everyday expenditures. The decrease in fund balance from \$273,009 to \$100,359 was due to the fact that expenditures still exceed revenues.
- During the year, the District issued a \$3,030,000 revenue bond and collected more in local option sales and service tax allowing the Capital Projects fund balance to increase \$1,012,218 during the current year to an ending fund balance of \$1,529,231 at year-end.

- 
- The District had to set up a new Debt Service fund during the current year, in order to comply with the provisions of the revenue bond issued. At June 30, 2007 the fund balance was \$537,512.

### **Proprietary Fund Highlights**

The District has three proprietary funds, which were noted earlier. The School Nutrition Fund net assets decreased from \$105,118 at June 30, 2006 to \$67,730 at June 30, 2007. Total expenditures for this fund increased due to increase in salaries and benefits paid out during the year. The Greenhouse fund balance increased \$576 due to an increase in revenues during the year. The Pop fund balance was closed out and transferred to the General Fund during the year.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$320,989 less than budgeted revenues, a variance of 3.2%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures areas.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested \$3,694,237, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 66.46% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$202,502.

The original cost of the District's capital assets was \$8,180,303. Governmental funds account for \$8,034,217 with the remainder of \$146,086 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2006 compared to \$2,420,665 at June 30, 2007. This increase is due to the construction during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 135,991	136,941	0	0	135,991	136,941	-0.70%
Construction in progress	2,420,665	0	0	0	2,420,665	0	100.00%
Buildings	561,713	592,690	0	0	561,713	592,690	-5.51%
Machinery and equipment	509,514	433,901	66,354	75,380	575,868	509,281	11.56%
Total	\$ 3,627,883	1,163,532	66,354	75,380	3,694,237	1,238,912	66.46%

### Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$3,096,344 in a revenue bonds, compensated absences and early retirement. This represents an increase of 2318.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

During the year the District issued \$3,030,000 in revenue bonds. These bonds will be paid with local option sales and service tax proceeds that are collected.

During June 2004, the District obtained financing for two buses. During the year, the District paid off the remainder of this debt through the General Fund.

The District also had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$34,810 at June 30, 2007.

Compensated absence, which are payable from the General Fund, has an ending balance at June 30, 2007 of \$31,534.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
Revenue bonds	\$ 3,030,000	0	100.0%
Bus loan	0	62,000	-100.0%
Compensated absences	31,534	7,811	303.7%
Early retirement	34,810	58,193	-40.2%
Totals	\$ 3,096,344	128,004	2318.9%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced stable enrollment for a few years, and trend continues with a decrease of 2.2 students in the October 2007 enrollment count.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.

- 
- Low allowable growth over several years and enrollment stability is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
  - Continued increases in insurance and health premiums, along with price increases for utilities, gas and other everyday expenditures is allows a concern for the District as they try to control spending in the individual funds.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, West Central Valley Community School District, P.O. Box 81, Stuart, Iowa, 50250.

## BASIC FINANCIAL STATEMENTS



WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 537,512	0	537,512
Other	2,750,011	4,400	2,754,411
Receivables:			
Property tax:			
Delinquent	54,196	0	54,196
Succeeding year	3,380,105	0	3,380,105
Income surtax	30,465	0	30,465
Interfund	5,842	(5,842)	0
Accounts	13,780	0	13,780
Due from other governments	162,038	0	162,038
Inventories	0	10,384	10,384
Capital assets, net of accumulated depreciation (Note 5)	3,627,883	66,354	3,694,237
<b>Total Assets</b>	<b>10,561,832</b>	<b>75,296</b>	<b>10,637,128</b>
<b>Liabilities</b>			
Accounts payable	544,309	2,049	546,358
Salaries and benefits payable	641,732	0	641,732
Accrued interest payable	66,934	0	66,934
Deferred revenue:			
Succeeding year property tax	3,380,105	0	3,380,105
Other	8,449	0	8,449
Unearned revenue	0	3,097	3,097
Long-term liabilities (Note 6):			
Portion due within one year:			
Revenue bonds	185,000	0	185,000
Early retirement	28,264	0	28,264
Compensated absences	31,534	0	31,534
Portion due after one year:			
Revenue bonds	2,845,000	0	2,845,000
Early retirement	6,546	0	6,546
<b>Total Liabilities</b>	<b>7,737,873</b>	<b>5,146</b>	<b>7,743,019</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,574,634	66,354	1,640,988
Restricted for:			
Talented and gifted	19,745	0	19,745
Beginning teacher mentoring	759	0	759
Salary improvement program	1,249	0	1,249
Market factor	639	0	639
Early intervention	62,213	0	62,213
Debt service	537,512	0	537,512
Physical plant & equipment levy	14,972	0	14,972
Management levy	75,120	0	75,120
Capital projects	552,480	0	552,480
Other special revenue purposes	36,885	0	36,885
Unrestricted	(52,249)	3,796	(48,453)
<b>Total Net Assets</b>	<b>\$ 2,823,959</b>	<b>70,150</b>	<b>2,894,109</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,818,388	134,848	575,146	(3,108,394)	0	(3,108,394)
Special instruction	1,251,136	12,613	51,238	(1,187,285)	0	(1,187,285)
Other instruction	618,872	312,204	0	(306,668)	0	(306,668)
	5,688,396	459,665	626,384	(4,602,347)	0	(4,602,347)
Support services:						
Student services	139,728	0	0	(139,728)	0	(139,728)
Instructional staff services	201,505	0	0	(201,505)	0	(201,505)
Administration services	855,674	0	0	(855,674)	0	(855,674)
Operation and maintenance of plant services	886,628	0	0	(886,628)	0	(886,628)
Transportation services	459,998	162	883	(458,953)	0	(458,953)
	2,543,533	162	883	(2,542,488)	0	(2,542,488)
Other expenditures:						
Long-term debt interest	136,702	0	0	(136,702)	0	(136,702)
AEA flowthrough	306,198	0	306,198	0	0	0
Depreciation(unallocated)*	35,327	0	0	(35,327)	0	(35,327)
	478,227	0	306,198	(172,029)	0	(172,029)
Total governmental activities	8,710,156	459,827	933,465	(7,316,864)	0	(7,316,864)
Business-Type activities:						
Support services:						
Administration services	313	0	0	0	(313)	(313)
Operation and maintenance of plant services	574	0	0	0	(574)	(574)
	887	0	0	0	(887)	(887)
Non-instructional programs:						
Nutrition services	371,208	168,459	166,185	0	(36,564)	(36,564)
Greenhouse	2,749	3,325	0	0	576	576
Pop	23,308	0	0	0	(23,308)	(23,308)
	397,265	171,784	166,185	0	(59,296)	(59,296)
Total business-type activities	398,152	171,784	166,185	0	(60,183)	(60,183)
Total	\$ 9,108,308	631,611	1,099,650	(7,316,864)	(60,183)	(7,377,047)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,207,615	0	3,207,615
Capital outlay				83,238	0	83,238
Local option sales and service tax				700,471	0	700,471
Unrestricted state grants				3,919,982	0	3,919,982
Unrestricted investment earnings				35,780	63	35,843
Other				110,049	0	110,049
Total general revenues				8,057,135	63	8,057,198
Changes in net assets				740,271	(60,120)	680,151
Net assets beginning of year				2,083,688	130,270	2,213,958
Net assets end of year				\$ 2,823,959	70,150	2,894,109

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Debt Service	Special Revenue Funds	Total
<b>Assets</b>					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ 0	0	537,512	0	537,512
Other	677,979	1,859,202	0	212,830	2,750,011
Receivables:					
Property tax					
Delinquent	50,480	0	0	3,716	54,196
Succeeding year	3,124,139	0	0	255,966	3,380,105
Income surtax	30,465	0	0	0	30,465
Interfund	21,686	0	0	0	21,686
Accounts	10,019	0	0	3,761	13,780
Due from other governments	79,513	82,525	0	0	162,038
<b>Total Assets</b>	<b>\$ 3,994,281</b>	<b>1,941,727</b>	<b>537,512</b>	<b>476,273</b>	<b>6,949,793</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 0	0	0	15,844	15,844
Accounts payable	94,594	412,496	0	37,219	544,309
Salaries and benefits payable	636,275	0	0	5,457	641,732
Deferred revenue:					
Succeeding year property tax	3,124,139	0	0	255,966	3,380,105
Income surtax	30,465	0	0	0	30,465
Other	8,449	0	0	0	8,449
<b>Total liabilities</b>	<b>3,893,922</b>	<b>412,496</b>	<b>0</b>	<b>314,486</b>	<b>4,620,904</b>
Fund balances:					
Reserved for:					
Debt service	0	0	537,512	0	537,512
Capital projects	0	976,751	0	0	976,751
Talented and gifted	19,745	0	0	0	19,745
Beginning teacher mentoring	759	0	0	0	759
Salary improvement program	1,249	0	0	0	1,249
Market factor	639	0	0	0	639
Early intervention	62,213	0	0	0	62,213
Unreserved	15,754	552,480	0	161,787	730,021
<b>Total fund balances</b>	<b>100,359</b>	<b>1,529,231</b>	<b>537,512</b>	<b>161,787</b>	<b>2,328,889</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,994,281</b>	<b>1,941,727</b>	<b>537,512</b>	<b>476,273</b>	<b>6,949,793</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

<b>Total fund balances of governmental funds (page 16)</b>	\$ 2,328,889
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,627,883
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(66,934)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	30,465
Long-term liabilities, including revenue bonds payable, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,096,344)</u>
<b>Net assets of governmental activites (page 14)</b>	<u><u>\$ 2,823,959</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,065,195	700,471	0	223,053	3,988,719
Tuition	147,461	0	0	0	147,461
Other	109,308	114,660	17,335	216,892	458,195
State sources	4,650,966	0	0	166	4,651,132
Federal sources	202,315	0	0	0	202,315
Total revenues	8,175,245	815,131	17,335	440,111	9,447,822
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	3,870,709	0	0	11,760	3,882,469
Special instruction	1,251,808	0	0	0	1,251,808
Other instruction	438,248	0	0	199,480	637,728
	5,560,765	0	0	211,240	5,772,005
Support services:					
Student services	139,957	0	0	0	139,957
Instructional staff services	171,850	0	0	0	171,850
Administration services	837,885	0	0	830	838,715
Operation and maintenance of plant services	827,056	0	0	172,109	999,165
Transportation services	467,808	0	0	32,617	500,425
	2,444,556	0	0	205,556	2,650,112
Other expenditures:					
Facilities acquisitions	0	2,217,344	0	91,806	2,309,150
Long-term debt:					
Principal	0	0	62,000	0	62,000
Interest and fiscal charges	0	12,877	56,891	0	69,768
AEA flowthrough	306,198	0	0	0	306,198
	306,198	2,230,221	118,891	91,806	2,747,116
Total expenditures	8,311,519	2,230,221	118,891	508,602	11,169,233
			0		
Deficiency of revenues under expenditures	(136,274)	(1,415,090)	(101,556)	(68,491)	(1,721,411)
Other financing sources(uses):					
Transfers in	26,737	0	639,068	0	665,805
Transfers out	(63,113)	(602,692)	0	0	(665,805)
Issuance of revenue bonds	0	3,030,000	0	0	3,030,000
Total other financing sources(uses)	(36,376)	2,427,308	639,068	0	3,030,000
Net change in fund balances	(172,650)	1,012,218	537,512	(68,491)	1,308,589
Fund balance beginning of year	273,009	517,013	0	230,278	1,020,300
Fund balance end of year	\$ 100,359	1,529,231	537,512	161,787	2,328,889

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 1,308,589

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of capital outlays and depreciation expense during the year are as follows:

Capital outlays	\$ 2,657,231	
Depreciation expense	(192,880)	2,464,351

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		2,605
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(66,934)
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Proceed from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current years issues exceeded repayments, as follows:

Issued	(3,030,000)	
Repaid	62,000	(2,968,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Compensated absences	(23,723)	
Early retirement	23,383	(340)

Changes in net assets of governmental activities (page 15)		\$ 740,271
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SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	School Nutrition	Green House	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,980	2,420	4,400
Inventories	10,384	0	10,384
Capital assets, net of accumulated depreciation (Note 5)	66,354	0	66,354
<b>Total Assets</b>	<b>78,718</b>	<b>2,420</b>	<b>81,138</b>
<b>Liabilities</b>			
Interfund payable	5,842	0	5,842
Accounts payable	2,049	0	2,049
Unearned revenues	3,097	0	3,097
<b>Total Liabilities</b>	<b>10,988</b>	<b>0</b>	<b>10,988</b>
<b>Net Assets</b>			
Invested in capital assets	66,354	0	66,354
Unrestricted	1,376	2,420	3,796
<b>Total Net Assets</b>	<b>\$ 67,730</b>	<b>2,420</b>	<b>70,150</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	School Nutrition	Green House	Pop Fund	Total
OPERATING REVENUE:				
Local sources:				
Other local sources:				
Charges for services	\$ 168,459	3,325	0	171,784
TOTAL OPERATING REVENUES	168,459	3,325	0	171,784
OPERATING EXPENSES:				
Support services:				
Administration:				
Services	70	0	0	70
Other	243	0	0	243
Operation and maintenance of plant:				
Supplies	574	0	0	574
	887	0	0	887
Non-instructional programs:				
Salaries	152,613	0	0	152,613
Benefits	24,885	0	0	24,885
Services	2,811	306	0	3,117
Supplies	181,277	2,443	23,308	207,028
Depreciation	9,622	0	0	9,622
	371,208	2,749	23,308	397,265
TOTAL OPERATING EXPENSES	372,095	2,749	23,308	398,152
OPERATING INCOME (LOSS)	(203,636)	576	(23,308)	(226,368)
NON-OPERATING REVENUES:				
Interest income	63	0	0	63
State sources	4,563	0	0	4,563
Federal sources	161,622	0	0	161,622
TOTAL NON-OPERATING REVENUES	166,248	0	0	166,248
Change in net assets	(37,388)	576	(23,308)	(60,120)
Net assets at beginning of year	105,118	1,844	23,308	130,270
Net assets end of year	\$ 67,730	2,420	0	70,150

SEE NOTES TO FINANCIAL STATEMENTS.



WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	School Nutrition	Green house	Pop- Fund	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 160,423	0	0	160,423
Cash received from miscellaneous operating activities	8,881	3,325	0	12,206
Cash payments to employees for services	(199,064)	0	0	(199,064)
Cash payments to suppliers for goods or services	(163,476)	(2,749)	(23,308)	(189,533)
Net cash provided by(used in) operating activities	(193,236)	576	(23,308)	(215,968)
Cash flows from non-capital financing activities:				
Loan from general fund	5,842	0	0	5,842
State grants received	4,563	0	0	4,563
Federal grants received	144,389	0	0	144,389
Net cash provided by non-capital financing activities	154,794	0	0	154,794
Cash flows from capital and related financing activities:				
Purchase of capital assets	(596)	0	0	(596)
Cash flows from investing activities:				
Interest on investments	63	0	0	63
Net increase(decrease) in cash and cash equivalents	(38,975)	576	(23,308)	(61,707)
Cash and cash equivalents at beginning of year	40,955	1,844	23,308	66,107
Cash and cash equivalents at end of year	\$ 1,980	2,420	0	4,400
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (203,636)	576	(23,308)	(203,060)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	17,233	0	0	17,233
Depreciation	9,622	0	0	9,622
Decrease in inventories	2,217	0	0	2,217
Decrease in accounts receivable	989	0	0	989
Increase in accounts payable	2,049	0	0	2,049
Decrease in salaries and benefits payable	(21,566)	0	0	(21,566)
Decrease in unearned revenue	(144)	0	0	(144)
Net cash provided by(used in) operating activities	\$ (193,236)	576	(23,308)	(192,660)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 1,980	2,420	0	4,400
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				

During the year ended June 30, 2007, the District received Federal commodities valued at \$17,233.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2007

	<u>Private-purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 220,219</u>
<b>Liabilities</b>	
Accounts payable	<u>3,385</u>
<b>Net Assets</b>	
Unreserved	18,320
Reserved for scholarships	<u>198,514</u>
<b>Total Net Assets</b>	<u>\$ 216,834</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>Private-purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$        10,429
Donations	<u>            885</u>
TOTAL ADDITIONS	<u>          11,314</u>
DEDUCTIONS:	
Instructional:	
Other:	
Scholarship awarded	<u>            8,385</u>
Change in net assets	2,929
Net assets beginning of year	<u>          213,905</u>
Net assets end of year	<u><u>          \$ 216,834</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The West Central Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Stuart, Menlo, Dexter and Redfield, Iowa, and the predominate agricultural territory in Adair, Dallas and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, West Central Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Central Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adair, Dallas and Guthrie County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax



receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the other expenditures functions exceeded the amounts budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment

companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 1,455,676

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**(3) Due From and Due to Other Funds**

The detail of interfund receivable and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 5,842
General	Student Activity	15,844
Total		\$ 21,686

**(4) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 63,113
Debt Service	Capital Projects	575,955
General	Capital Projects	26,737
Total		\$ 665,805

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 136,941	0	950	135,991
Construction in progress	0	2,420,665	0	2,420,665
Total capital assets not being depreciated	136,941	2,420,665	950	2,556,656
Capital assets being depreciated:				
Buildings	3,546,625	4,350	0	3,550,975
Machinery and equipment	1,701,056	233,166	7,636	1,926,586
Total capital assets being depreciated	5,247,681	237,516	7,636	5,477,561
Less accumulated depreciation for:				
Buildings	2,953,935	35,327	0	2,989,262
Machinery and equipment	1,267,155	157,553	7,636	1,417,072
Total accumulated depreciation	4,221,090	192,880	7,636	4,406,334
Total capital assets being depreciated, net	1,026,591	44,636	0	1,071,227
Governmental activities capital assets, net	\$ 1,163,532	2,465,301	950	3,627,883

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 145,490	596	0	146,086
Less accumulated depreciation	70,110	9,622	0	79,732
Business-type activities capital assets, net	\$ 75,380	(9,026)	0	66,354

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 28,597
Special	2,292
Other	9,718
Support services:	
Instructional staff services	29,655
Administration services	1,645
Operation and maintenance of plant services	3,627
Transportation	82,019
	157,553
Unallocated depreciation	35,327
Total governmental activities depreciation expense	\$ 192,880
Business-type activities:	
Food services	\$ 9,622

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 0	3,030,000	0	3,030,000	185,000
Bus loan	62,000	0	62,000	0	0
Compensated absences	7,811	31,534	7,811	31,534	31,534
Early retirement	58,193	13,934	37,317	34,810	28,264
Total	\$ 128,004	3,075,468	107,128	3,096,344	244,798

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of service, ten of which must be continuous years, to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee is equal to subtracting the current base pay from the current salary. Early retirement expenditures for the year ended June 30, 2007 totaled \$37,317.

Bus Loan Payable

During the year ended June 30, 2004, the District obtained financing for two new buses. During the year, the District repaid the balance on this loan. Payments were made from the General Fund under the agreement in effect.

Revenue Bonds Payable

On August 1, 2006, the District issued revenue bonds for capital facility additions. The revenue bonds will be repaid using Local Option Sales and Services Tax collected in the Capital Project Fund. Detail of the District June 30, 2007 revenue bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of August 1, 2006		
		Principal	Interest	Total
2008	4.10	% \$ 185,000	133,868	318,868
2009	4.10-4.20	375,000	122,491	497,491
2010	4.20-4.30	395,000	106,622	501,622
2011	4.30-4.40	410,000	89,627	499,627
2012	4.40-4.50	430,000	71,467	501,467
2013-2016	4.50-4.70	1,235,000	97,225	1,332,225
Total		\$ 3,030,000	621,300	3,651,300

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The District is required to establish a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. There currently is a Reserve Account of \$303,000 on deposit with an escrow agent.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$284,753, \$224,427, and \$250,397 respectively, equal to the required contributions for each year.

**(8) Risk Management**

West Central Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$306,198 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The District has entered into various contracts totaling \$4,911,411 for construction projects. As of June 30, 2007, costs of \$3,666,038 had been incurred against the contracts. The balance of \$1,245,373 remaining at June 30, 2007 will be paid as work on the projects progresses.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Funds Type Actual	Proprietary Funds Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,594,375	171,847	4,766,222	4,472,654	4,472,654	293,568
Intermediate sources	0	0	0	50,000	50,000	(50,000)
State sources	4,651,132	4,563	4,655,695	5,127,189	5,127,189	(471,494)
Federal sources	202,315	161,622	363,937	457,000	457,000	(93,063)
Total revenues	9,447,822	338,032	9,785,854	10,106,843	10,106,843	(320,989)
Expenditures:						
Instruction	5,772,005	0	5,772,005	7,173,348	7,173,348	1,401,343
Support services	2,650,112	887	2,650,999	3,338,138	3,338,138	687,139
Non-instructional programs	0	397,265	397,265	544,467	4,225,000	3,827,735
Other expenditures	2,747,116	0	2,747,116	1,126,041	1,126,041	(1,621,075)
Total expenditures	11,169,233	398,152	11,567,385	12,181,994	15,862,527	4,295,142
Excess(deficiency) of revenues over(under) expenditures	(1,721,411)	(60,120)	(1,781,531)	(2,075,151)	(5,755,684)	3,974,153
Other financing sources, net	3,030,000	0	3,030,000	0	0	3,030,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	1,308,589	(60,120)	1,248,469	(2,075,151)	(5,755,684)	7,004,153
Balance beginning of year	1,020,300	130,270	1,150,570	1,300,706	1,300,706	(150,136)
Balance end of year	\$ 2,328,889	70,150	2,399,039	(774,445)	(4,454,978)	6,854,017

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,680,533.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 JUNE 30, 2007

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
<b>Assets</b>				
Cash and pooled investments	\$ 113,650	41,953	57,227	212,830
Receivables:				
Property tax:				
Current year delinquent	2,329	1,387	0	3,716
Succeeding year	170,000	85,966	0	255,966
Accounts	0	0	3,761	3,761
<b>Total Assets</b>	<b>\$ 285,979</b>	<b>129,306</b>	<b>60,988</b>	<b>476,273</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 0	0	15,844	15,844
Accounts payable	592	28,368	8,259	37,219
Salary and benefits payable	5,457	0	0	5,457
Deferred revenue:				
Succeeding year property tax	170,000	85,966	0	255,966
Total liabilities	176,049	114,334	24,103	314,486
Fund balances:				
Unreserved	109,930	14,972	36,885	161,787
Total fund balances	109,930	14,972	36,885	161,787
<b>Total Liabilities and Fund Balances</b>	<b>\$ 285,979</b>	<b>129,306</b>	<b>60,988</b>	<b>476,273</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2007

	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	Total
REVENUES:				
Local sources:				
Local tax	\$ 139,815	83,238	0	223,053
Other	25,469	2,950	188,473	216,892
State sources	103	63	0	166
TOTAL REVENUES	165,387	86,251	188,473	440,111
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	10,092	1,668	0	11,760
Other instruction	0	0	199,480	199,480
	10,092	1,668	199,480	211,240
Support services:				
Administration services	0	0	830	830
Operation and maintenance of plant services	158,491	13,093	525	172,109
Transportation services	32,617	0	0	32,617
	191,108	13,093	1,355	205,556
Other expenditures:				
Facility acquisition	0	91,806	0	91,806
	0	91,806	0	91,806
TOTAL EXPENDITURES	201,200	106,567	200,835	508,602
Deficiency of revenues under expenditures	(35,813)	(20,316)	(12,362)	(68,491)
Fund balance beginning of year	145,743	35,288	49,247	230,278
Fund balance end of year	\$ 109,930	14,972	36,885	161,787

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 7,770	91,535	94,811	4,494
Archery	0	1,480	1,346	134
Jump for heart	933	0	933	0
Play	3,904	945	319	4,530
Musicals	3,531	1,598	1,005	4,124
Cheerleading	895	933	853	975
Class of 2006	423	0	423	0
Class of 2007	1,595	350	1,945	0
Class of 2008	1,037	10,462	7,971	3,528
Class of 2009	361	1,696	76	1,981
Class of 2010	0	396	152	244
Menlo WC pride elementary	7,890	17,624	25,514	0
Dexter, Redfield WC pride elementary	2,121	8,277	10,398	0
MS special events	1,061	13,855	14,916	0
HS West Central pride	297	2,496	2,793	0
FFA	11,639	15,535	19,327	7,847
FCCLA	789	662	353	1,098
Flag/Drill team	2,229	1,062	1,009	2,282
Science Fair	202	3,660	3,721	141
HS student council	1,151	664	946	869
MS student council	3,591	2,146	4,175	1,562
HS yearbook	(2,302)	12,078	6,931	2,845
MS yearbook	130	1,019	918	231
Total	\$ 49,247	188,473	200,835	36,885

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 3,988,719	3,522,895	3,185,464	2,941,388
Tuition	147,461	121,872	123,119	92,374
Other	458,195	307,626	250,325	249,459
Intermediate sources	0	0	0	740
State sources	4,651,132	4,341,906	4,155,901	3,716,899
Federal sources	202,315	213,143	277,456	172,395
Total	<u>\$ 9,447,822</u>	<u>8,507,442</u>	<u>7,992,265</u>	<u>7,173,255</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 3,882,469	3,329,571	3,242,719	3,128,480
Special instruction	1,251,808	1,107,176	1,103,568	1,161,434
Other instruction	637,728	828,574	717,999	559,955
Support services:				
Student services	139,957	102,442	105,987	118,304
Instructional staff services	171,850	163,859	221,747	232,589
Administration services	838,715	984,124	865,928	876,788
Operation and maintenance of plant services	999,165	746,436	863,258	719,670
Transportation services	500,425	655,752	474,238	513,264
Non-instructional:				
Food service	0	0	103,676	54,917
Other expenditures:				
Facilities acquisitions	2,309,150	598,634	456	146,395
Long-term debt:				
Principal	62,000	0	82,000	60,000
Interest and fiscal charges	69,768	0	5,045	6,689
AEA flow-through	306,198	285,713	274,845	267,733
Total	<u>\$ 11,169,233</u>	<u>8,802,281</u>	<u>8,061,466</u>	<u>7,846,218</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3060  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
West Central Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Central Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 20, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Central Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Central Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Central Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Central Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Central Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Central Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Central Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the

internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Central Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Central Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Central Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Central Valley Community School District and other parties to whom West Central Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Central Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 20, 2008



WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-07 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We will have all checks signed by the Board President and the Board Secretary as authorized in Chapter 291.1 and 291.8 of the Code of Iowa. We also have a board policy Code No. 705.3 stating that in the Board President's absence the vice president may sign warrants on behalf of the president.

Conclusion - Response accepted.

I-C-07 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We will research the outstanding checks and take steps to rectify the problem.

Conclusion - Response accepted.

I-D-07 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis. Numerous receipts that were deposited into the bank were not recorded onto the software system until year-end.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. All receipts should be posted to the accounting system in the same month that they are received. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - Bank statement balances will be balanced to financial statement balances on a monthly basis. This procedure will begin in January 2008. A new business manager took over the position November 12<sup>th</sup>, 2007, but was not able to balance the books until work had been completed by the auditors. Accounting staff will attend training sessions that are provided to assist in this very important financial process. Receipts will be recorded on a timely manner so the district can maintain confidence in the amount of cash reflected on the balance sheet.

Conclusion - Response accepted.

I-E-07 Student Activity Fund - During our audit issues arose about the properness of certain transactions within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

More specifically, there were deposits for Box Tops for Education donations, Target donations and Lifetouch commissions in the Menlo elementary account. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for purchase of supplies/services.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - All accounts that were not maintained by a club or organization have been transferred to the general fund.

Conclusion - Response accepted.

- I-F-07 Supporting Documents for Meal Reimbursements - It was noted during the audit, an instance of a meal reimbursement which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review procedures in place with personnel to ensure the proper detailed documentation will be available with paid meal reimbursements.

Response - Proper detailed documentation must be submitted to central office if personnel requests paid meal reimbursements.

Conclusion - Response accepted.

- I-G-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District records required numerous end-of-year adjustments. There were extra accounts receivable and accounts payable that had to be recorded on the books. There were account receivables posted to the cash account instead of the appropriate accounts receivable accounts on the balance sheet. In addition, no adjustments were made for the changes in inventories, capital assets or long-term debt.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will send staff to trainings through out the year and the end of year training that is provided. Steps will be taken to assure that reliable accounting records are maintained. Financial reports will be presented monthly to the board of directors.

Conclusion - Response accepted.

- I-H-07 Cell Phone Policy - We noted during our audit that the District had not implemented a cell phone policy that addresses employees who carry District paid cell phones.

Recommendation - The District should consider implementing a formal cell phone policy addressing the District's position with regard to cell phone usage.

Response - The District will implement a cell phone policy that addresses employees who carry District paid cell phones.

Conclusion - Response accepted.

WEST CENTRAL VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the other expenditures program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend our budget in accordance with Chapter 24.9 of the Code of Iowa before making expenditures that would exceed the budget.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jeff Baker, Board Member Coaching	Coach of MS Basketball	\$1,748
Perry Light, Board Member Co-owner of Light Trucking	Services	\$320
Michelle Otto, Sponsor Spouse owns Otto Drywall	Supplies	\$1,214
Sharon Sloss, Principal Spouse owns Stuart Appliance	Supplies	\$31,751

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Perry Light and Jeff Baker, does not appear to be a conflict of interest.

In accordance with Attorney's General opinion dated November 9, 1976, the transaction with the spouses of Sharon Sloss and Michelle Otto do not appear to be a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner, and not always signed by the president and/or board secretary.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. They should also make sure that the minutes are properly signed after final review.

Response - We will submit all minutes to the newspaper within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa. All board minutes will be properly signed after the final review.

Conclusion - Response accepted.

II-G-07 Certified Enrollment - We noted that the number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2006 was understated. The District's certified enrollment count on line 1 was understated by 1.6 students. This resulted in understating the total actual enrollment at line 7 by 1.6 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted the Iowa Department of Education.

Conclusion - Response accepted.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District will talk with our banks to inquire about obtaining an image of both the front and back of each cancelled check. These images will be retained.

Conclusion - Response accepted.